



Tassal Group Limited 2021 AGM Report

ASX Code	TGR
Meeting Time/Date	10am, Thursday 28 October 2021
Type of Meeting	Virtual
Monitor	Chris Lobb assisted by Mike Muntisov
Pre AGM Meeting?	Yes, with Chair Allan McCallum AO

Tasmanian Salmon Industry Not the New Coal

What the Company Does

Tassal is Australia's largest integrated seafood provider, focussing currently on salmon and prawns. It has operations along the East Coast of Australia and supplies both the domestic and global markets.

Developments in the Financial Year

The CEO in his address noted that Covid had negatively impacted results in several areas that were outside the control of management. His presentation therefore largely focused on "controllable" elements of the results, which he noted were mainly positive. However overall, the company has had a tough year with financial results and dividends reflecting this. It has also had to deal with on-going negative publicity on the sustainability of its salmon aquaculture practices, which if nothing else is a considerable drain on limited company resources.

Summary of Historical ASA Issues with the Company

In recent times, key issues raised with the Company include Board renewal and succession, clarity and methodology used on remuneration policy/disclosure and capital management. Whilst some progress has been made, we still await meaningful change in remuneration policies and structures.

Debate and Voting at the AGM

In what could be described as the end of an era, long-standing Chairman, Allan McCallum AO, chaired his final meeting, having previously announced his retirement from the Board. He will be replaced by James Fazzino, who was appointed a director in 2020 as part of the Board renewal. Mr Fazzino acknowledged and thanked the retiring Chairman for his leadership and services to the Company in an address to shareholders.

The Chairman noted that Ms Kathy Parsons will be appointed an independent director, effective the following day. She will therefore not face an election until the 2022 AGM. She has strong financial credentials having previously been a partner at accounting firm, Ernst & Young.

As noted above the company has been challenged on its environmental credentials and its "social licence" to continue to farm salmon in Tasmania using current practices. Renowned author,

Richard Flanagan, released a book titled “Toxic” which allegedly called out practices adopted by the salmon industry in Tasmania. We raised concerns that salmon aquaculture could become “stranded” if the push from the public and State Government withdrew Tassal’s ability to continue to operate – using the analogy of coal.

The CEO in providing a written response in his presentation rejected this assertion arguing the salmon industry was fundamentally different to coal. He noted that aquaculture is necessary and will remain necessary, to solve some of the world’s largest environmental challenges. (Members should refer to the AGM presentation for further details on this response and other questions raised as they were detailed in the AGM slides).

Additional questions sent in on the day were also responded to by the CEO, including the potential for the company to commence the farming of seaweed – the CEO outlined some of the merits of this form of aquaculture.

There were 3 items of formal business – all of which were passed comfortably - adoption of the Remuneration Report, re-election of non-executive director, Georgina Lynch and approval to issue long term performance rights to the CEO.

ASA voted against the remuneration report and performance rights to the CEO, on the basis they were not sufficiently aligned with our guidelines. We also questioned Ms Lynch on her current level of shareholding, being well below the equivalent of one year’s base directors’ fees. Pleasingly, post the AGM, she acquired on-market an additional 10,000 shares to address this shortcoming.

The meeting went for approximately 2 hours, including dealing with the retirement of the Chairman and addressing the various questions raised.

Outlook Statements from the Company

Whilst not providing guidance, the CEO provided a trading update following the unaudited results of Q1 for FY22. He noted a positive start with management focusing on controllable elements – reducing finished goods holdings, strong free cashflow, reducing financial leverage and limiting growth capital expenditure.

In terms of strategy, the company is looking to evolve beyond salmon and prawns. It wants to develop into what it calls a “blue agri-tech” position through the use of technology and innovation.

Time will tell if it can succeed in this ambition.

Meeting Statistics

Number of Holdings Represented by ASA	66 shareholders gave us a proxy
Number of Shares represented by ASA	1,396,527 (equivalent to 12th largest holder in Top 20 list)
Value of Shares represented by ASA	\$5.0 m
Number Attending Meeting	39 shareholders plus 26 visitors
Market capitalisation	\$764 m
Were proxies voted?	Yes, on a poll for all items of business

Monitor Shareholding

The individual(s) (or their associates) involved in the preparation of this report have no shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.